



Report on

Market Conduct Examination

of

National Union Fire Insurance Company of Pittsburgh, PA

Harrisburg, Pennsylvania

by Representatives of the

North Carolina Department of Insurance

as of

April 27, 2016

---

---



## TABLE OF CONTENTS

SALUTATION .....	1
SCOPE OF EXAMINATION .....	2
EXECUTIVE SUMMARY .....	2
UTILIZATION MANAGEMENT .....	3
Medical Necessity Reviews .....	4
Appeals .....	4
Appeal Records Review .....	4
POLICYHOLDER GRIEVANCES .....	5
PROVIDER NETWORK AVAILABILITY AND ACCESSIBILITY .....	6
COMMENTS, RECOMMENDATIONS, AND DIRECTIVES .....	6
CONCLUSION .....	6

Raleigh, North Carolina  
April 27, 2016

Honorable Wayne Goodwin  
Commissioner of Insurance  
Department of Insurance  
State of North Carolina  
Dobbs Building  
430 N. Salisbury Street  
Raleigh, North Carolina 27603

Honorable Teresa D. Miller  
Commissioner of Insurance  
Pennsylvania Insurance Department  
Commonwealth of Pennsylvania  
1326 Strawberry Square, 13<sup>th</sup> Floor  
Harrisburg, Pennsylvania 17120

Honorable Commissioners:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of

**National Union Fire Insurance Company of Pittsburgh, PA  
(NAIC #19445)**

NAIC Exam Tracking System Exam Number: NC299-M92  
Harrisburg, Pennsylvania

hereinafter generally referred to as the Company, at the Company's office located at 1945 W. Palmetto Street, Suite 105, Florence, South Carolina and at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

## SCOPE OF EXAMINATION

The Department conducted a target examination of the Company. This examination commenced on December 14, 2015, and covered the period of January 1, 2014, through December 31, 2014, with analyses of certain operations of the Company being conducted through April 4, 2016. This action was taken due to analysis of the market conduct annual filing submission. All comments made in this report reflect conditions observed during the period of the examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive, but included a limited review of the Company's practices and procedures in utilization reviews, member appeals and grievances, and provider availability/accessibility standards and monitoring. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance that fall outside certain tolerance levels. The Department applied a 0 percent tolerance level for timeliness of utilization review, member appeal and grievance acknowledgement and determination letters. A tolerance level of 3 percent was applied for notification letter content of utilization reviews, member appeals and grievances. Sample sizes were generated using Audit Command Language (ACL) software. The Department utilized a 95% Confidence Level to determine the error tolerance level.

## EXECUTIVE SUMMARY

This market conduct target examination revealed concerns with Company procedures and practices in the following areas:

*Utilization Management* – Failure to provide timely determinations for utilization review requests and member appeals; failure to provide compliant written notification letters to covered persons for utilization reviews; failure to provide acknowledgement letters for

member appeals; failure to provide copy of original request reflecting time/date stamp for utilization review requests and member appeals.

*Policyholder Grievances* – Failure to provide acknowledgement letter to members; failure to provide grievance request letters reflecting a time/date stamp; failure to provide decision letters to members within 30 days of receipt of grievance.

*Provider Availability and Accessibility* - Failure to establish and provide member satisfaction surveys regarding the evaluation of provider availability.

Specific violations are noted in the appropriate sections of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site [www.ncdoi.com](http://www.ncdoi.com) by clicking “INSURANCE DIVISIONS” then “Legislative Services”.

This examination identified various statutory violations, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

### **UTILIZATION MANAGEMENT**

The Company’s Utilization Management program and activities were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina Statutes and rules.

As required by the provisions of NCGS 58-50-61, a formal structure has been established to oversee and conduct utilization management functions. The Medical Director has ultimate responsibility for oversight and implementation of the Utilization Management Program. This Program is integrated with other operational areas of the Company in adherence to the provisions of NCGS 58-50-61.

### Medical Necessity Reviews

The scope of utilization management services provided includes prospective review for hospital admissions and ambulatory care and services, concurrent review of inpatient health services, retrospective review, referral management, complex case management, and discharge planning.

During the examination period, the Company received a total of 14 retrospective utilization review requests. Fourteen utilization review files were examined to assess the Company's compliance with the provisions of NCGS 58-50-61, as well as its own policies and procedures. The review revealed that the Company did not adhere to the provisions of NCGS 58-50-61 based on the following:

- Fourteen files did not contain a written notification addressed to the member and to the provider advising them of the denial within five business days after making the noncertification.
- Fourteen files did not contain a copy of the original retrospective review request letter reflecting a time/date stamp.
- Fourteen files did not contain a decision letter which provides a written explanation in clear terms, to the member within 30 days of receipt of retrospective review request and all necessary information.

### Appeals

Members who are not satisfied with utilization review determinations have the right to appeal the Company's decision. A member is entitled to an expedited review of his/her appeal if a delay in the rendering of health care would be detrimental to his/her health.

### Appeal Records Review

The Company received a total of six member appeals during the examination period. The total population of six appeal files was reviewed to assess the Company's compliance with the provisions of NCGS 58-50-61 and NCGS 58-50-62, as well as its own policies and procedures. The review revealed that the Company did not adhere to the provisions of NCGS

58-50-61(k) within six files which contained a non-compliant written adverse notification to the covered person based on the following:

- Four files did not contain a copy of the original request for an appeal reflecting a time/date stamp.
- Six policy files did not contain a copy of an acknowledgement letter which provides the name and contact information of the coordinator assigned to the grievance; in addition to information on how to submit written material.
- Four files did not contain a copy of the decision letter which provides a written explanation in clear terms, to the member within 30 days of receipt of a request for an appeal.

Three of the first-level appeal files reviewed were escalated to a second-level grievance request. The Company did not adhere to the provisions of NCGS 58-50-62, as the files either did not contain an acknowledgement letter or the file contained a noncompliant acknowledgement letter or did not contain a copy of the decision letter.

### **POLICYHOLDER GRIEVANCES**

The Company received a total of 23 member grievances during the examination period. The total population of 23 grievance files was reviewed to assess the Company's compliance with the provisions of NCGS 58-50-62, as well as its own policies and procedures. The review revealed that the Company did not adhere to the provisions of NCGS 58-50-62 as 23 grievance files were noncompliant based on the following:

- Seventeen grievance files did not contain a copy of an acknowledgement letter which provides the name and contact information of the coordinator assigned to the grievance; in addition to information on how to submit written material.
- Six grievance files contained a noncompliant acknowledgement letter which failed to meet specified guidelines.
- Two grievance files did not contain a copy of the member's grievance request letter reflecting a time/date stamp.
- Eighteen grievance files did not contain a copy of the decision letter which provides a written explanation in clear terms, to the member within 30 days of receipt of grievance.
- Four grievance files contained a noncompliant decision letter which failed to meet specified guidelines.

The Company received one second-level grievance during the exam period. The Company did not adhere to the provisions of NCGS 58-50-62(f) (g) (h) as the file did not contain an acknowledgement letter nor a decision letter.

#### **PROVIDER NETWORK AVAILABILITY AND ACCESSIBILITY**

The Company's policies and standards for provider and facility availability and accessibility, as well as monitoring results showing performance against these standards were reviewed. The Company did not adhere to the provisions of Title of the North Carolina Administrative Code, (NCAC), Chapter 20 Section 0304 as member satisfaction surveys were not provided or evidenced regarding the evaluation of provider availability.

#### **COMMENTS, RECOMMENDATIONS, AND DIRECTIVES**

The Company must complete and reinforce corrective actions which have been drafted during and as a result of this target examination. These corrective actions must include, but are not limited to: adherence to revised Utilization Management policies and procedures; compliance with statutory requirements regarding member utilization review, appeal and grievance written notification decision and acknowledgement letters; and adherence to revised provider availability/accessibility policies and procedures.

#### **CONCLUSION**

A target examination has been conducted on the market conduct affairs of National Union Fire Insurance Company of Pittsburgh, PA for the period January 1, 2014, through December 31, 2014, with analyses of certain operations of the Company being conducted through April 4, 2016.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of Company operations in the areas of utilization

reviews, member appeals and grievances, and provider availability/accessibility standards and monitoring.

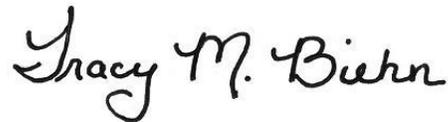
In addition to the undersigned, Shane E. Masserd, MHS, MCM, North Carolina Market Conduct Senior Examiner, participated in this examination.

Respectfully submitted,



Vicki S. Royal, CPM, MCM, ACS, AIAA, AIRC  
Examiner-In-Charge  
Market Regulation Division  
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.



Tracy M. Biehn, MBA, MCM, LPCS  
Deputy Commissioner  
Market Regulation Division  
State of North Carolina